Chapter 13
Designing and Managing Integrated Marketing Channels

Chapter Questions
• What are marketing channel systems and value networks?
• What functions do marketing channels perform?
• What decisions do companies face in designing, managing, and integrating their channels?
• What key issues do companies face in e-commerce?

Marketing Channels and Value Networks
• Marketing channels—sets of interdependent organizations involved in the process of making a product or service available for use or consumption.
• Push vs. Pull
• Value network—a system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings.
• Demand-chain planning
Role of Marketing Channels

- Performs the work of moving products from producers to consumers, overcoming time, place, and possession gaps.
- Forward flow functions
- Backward flow functions
- Both directions

Figure 13.1: Marketing Flows

Figure 13.2: Consumer and Industrial Marketing Channels
Channel-Design Decisions

- Analyze customers’ desired service output levels: (lot size, waiting & delivery time, spatial convenience, product variety, and service backup)
- Establish objectives and constraints (targeted service output levels, environmental factors, costs)
- Identify major channel alternatives (next slide)
- Evaluate the major alternatives (benefits-costs analysis, own sales force or a sales agency)

Identifying Major Channel Alternatives

- Types of intermediaries
  - Merchants
  - Facilitators
- Number of intermediaries
  - Exclusive
  - Selective
  - Intensive
- Terms and responsibilities of channel members
  - Price policy
  - Conditions of sale
  - Distributors’ territorial rights
  - Mutual services and responsibilities

Channel-Management Decisions

- Selecting channel members
- Training and motivating channel members
- Evaluating channel members
- Modifying channel arrangements
Channel Integration and Systems

- Vertical marketing system (Corporate VMS, Administered VMS, Contractual VMS [Wholesaler-sponsored voluntary chains, Retailer cooperatives, Franchise organizations])
- Horizontal marketing system (Safeway-Wells Fargo, Safeway-Starbucks)
- Multichannel marketing system (Avon, HP, Apple) - Benefits: Increased market coverage, Lower channel costs, More customized selling

Conflict, Cooperation, and Competition

- Causes - Goal incompatibility, Unclear roles and rights, Differences in perception, Dependence
- Vertical channel conflict—between different levels within the same channel.
- Multichannel conflict—manufacturer has established two or more channels that sell to the same market.
- Strategies – Adoption of superordinate goals, Exchange of employees, Joint membership in trade associations, Co-optation, Diplomacy, mediation, or arbitration, Legal recourse
- Legal issues: Exclusive dealing, Tying agreements.

E-Commerce Marketing Practices

- E-business—use of electronic means and platforms to conduct a company’s business.
- E-commerce—the company or site transacts or facilitates the online selling of products and services.
- E-purchasing—companies buy goods, services, and information from online suppliers.
- E-marketing—company efforts to inform buyers, communicate, promote, and sell its offerings online.
Pure-Click Companies

- Search engines
- Internet service providers (ISPs)
- Commerce sites
- Transaction sites
- Content sites
- Enabler sites

Brick-and-Click Companies

- Strategies for gaining acceptance from intermediaries when selling through intermediaries and online:
  - Offer different brands or products on the Internet.
  - Offer offline partners higher commissions to cushion the negative impact on sales.
  - Take orders on the Web site but have retailers deliver and collect payment.

M-Commerce

- Mobile commerce
- Using cellular phones or personal digital assistants to wirelessly connect to the Internet.
- Success will be driven by:
  - Convenience
  - Ease of use
  - Trust
  - Widespread availability